SERVICE BENEFITS CONNECTED WITH JOB-RELATED LIVING ACCOMMODATION

This Help Sheet tells you about the limit on the tax you have to pay on benefits connected with accommodation. It explains how to calculate that limit and how to fill in box 1M.31 on the Ministers of Religion Pages.

The benefits are:

- **the cost of heating, lighting and cleaning the premises**
- **the expense of repairing, maintaining and decorating the premises (other than landlord's repairs - see note on box 1M.18 in the Notes to the Ministers of Religion Pages)**
- **the provision of furniture or other domestic equipment or effects (such as a washing machine or television set) which are a normal part of domestic occupation of the premises.**

If the value of accommodation provided to you is exempt from tax (see note on box 1M.8 in the Notes to the Ministers of Religion Pages) and your income, benefits and expenses payments were at a rate of £8,500 a year or more (see notes on benefits and expenses payments received) then you do not have to pay tax on some benefits in kind beyond a certain limit. The limit is 10% of the net income of your post or appointment. There is a Working Sheet on page 3 of this Help Sheet (and a worked example on page 5) to help you do your own calculation.

The calculation may change the amount that has to go in box 1M.33 on the Ministers of Religion Pages. In order to do the calculation you need to fill in at least up to box 1M.33 first. But because the figure in box 1M.33 might change, fill in that box in pencil at this stage. Ink in the final figure when you have done the calculation.

Do not send this Help Sheet to me with your Tax Return. Keep it in case I ask you to tell me how you have done the calculation.

If you are under the £8,500 threshold do not use this Help Sheet. Instead use Working Sheet 2 on page MN4 of the Notes to the Ministers of Religion Pages.

How to calculate the limit

Refer to the Working Sheet and the worked example. These will help to explain the steps. **The figures in the example below and on pages 5 and 6 are illustrative only**.

Step 1 **Add up the cash equivalents[1] of the benefits concerned.**

Your church should have shown these on your P11D or equivalent document. For example, these might be:

• Manse electricity bills for year	£350
• Gas bills	£580
• Cleaner's wages paid by church	£765
• Repairs to broken windows	£200
• Furniture, curtains, carpets and T.V.[2]	£340
	£2,235

£200 was made good in the year to the church for use of the furniture. This has been taken into account in the P11D figures which show:

Total cash equivalent	£2,035

In the example the gas and electricity bills are in the minister's name and the minister is responsible for paying them.

Therefore they should go in box 1M.7 (see the notes on box 1M.7 on page MN2 of the Notes to the Ministers of Religion Pages). The other benefits go in box 1M.18.

Step 2 **Work out the 'net income' of your post[3]**

You should include:

- your total income from box 1M.15 of the Ministers of Religion Pages after excluding any service benefits shown in **Step 1** which are included in box 1M.7. In the example this is £14,000. This figure includes £930 for the electricity (£350) and gas bills (£580) included in box 1M.7 which leaves £13,070.
- the total expenses payments and benefits from box 1M.22, after excluding the service benefits shown in **Step 1**. In the example the total expenses payments and benefits are £2,300, of which £1,105 are those shown in **Step 1** (£2,035 *minus* the £930 included in box 1M.7).

[1] See the notes on benefits and expenses payments received.

[2] Where a benefit consists of the provision of an asset such as furniture, the annual cash equivalent of the benefit is normally 20% of the value of the asset when it was first provided as a benefit, plus any annual 'running costs' (such as repairs) of providing the asset. The total value of these items when they were first provided as a benefit was £1,700 and there were no extra running costs. So the cash equivalent of the benefit is 20% of this amount = £340. If you need more information, ask the Orderline for booklet 480, *Expenses and Benefits A Tax Guide*.

[3] The calculation of this figure is for the purpose of this Help Sheet. **Do not put it on your Tax Return.**

- any back pay for the year 2000-2001 you have received, or will receive, after 5 April 2000 (even though you may pay tax on this in a later year). In the example £500 back pay for 2000-2001 was received on 14 June 2001.

You should deduct:

- the total of your allowable expenses and capital allowances from box 1M.33. In the example one quarter of the accommodation is used for work purposes. So the 'business' part of the manse expenses is £559 (25% of £2,235). The other allowable expenses and capital allowances come to £941. So the total of the expenses and capital allowances claimed is £1,500.
- any contributions (including free standing additional voluntary contributions) you pay out of the income of your post to a superannuation scheme approved by the Inland Revenue or retirement annuity payments you make to provide a pension or annuity to you after retirement. In the example £500 retirement annuity payments are made.
- any back pay for years before 2000-2001 included in the figure of your total income from box 1M.15. In the example this is £300 received on 10 May 2000.

Step 3 **Work out 10% of the figure in box D in Step 2.** (If you did not have the accommodation for the whole of the period of time for which the box D figure was paid, first reduce the box D figure to an amount relating to the period you had the accommodation. Do this by multiplying the box D figure by the number of days you had the accommodation and then dividing by the number of days the box D figure was for - 365 if you held your post for the whole of the tax year. Then take 10% of the reduced amount.) From this amount subtract any amount you made good in respect of the benefits in Step 1. In the example this is £200 - see **Step 1**.

Step 4 **Compare the figure in box C in Step 1 with the figure in box F in Step 3**.

Copy the figure in box C to box G. If box G is greater than box F, enter the difference (G *minus* F) in box H. Use this figure to complete box 1M.31.

How does the limit affect the £8,500 threshold?

The 10% limit affects the amount you have to include for benefits when working out whether you are over the £8,500 threshold (see the notes about benefits and expenses payments). So if you are in any doubt whether you are over the threshold or not work out if any limit applies to the benefits in **Step 1** before you do the sum of your income and benefits.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.

Working Sheet

Step 1 Payment of your manse bills (included in box 1M.7)

Electricity	£
Gas	£
Oil	£
Solid fuel	£
Other	£
Total personal manse bills	A £

Benefits (included in box 1M.18)

Heat, light and cleaning

	Cost to 'employer'		Amount made good by you		Cash equivalent
Electricity	£		£		£
Gas	£		£		£
Oil	£	*minus*	£	*equals*	£
Solid fuel	£		£		£
Other	£		£		£

Repairs, maintenance and decoration

Repairs and maintenance	£		£		£
		minus		*equals*	
Decoration	£		£		£

Furniture and effects

	Deemed 'cost'		Amount made good by you		Cash equivalent
Furnishings	£		£		£
		minus		*equals*	
Other effects	£		£		£

Totals

	Cost or 'deemed' cost		Amount made good by you		Cash equivalent
Total benefits	£	*minus*	B £	*equals*	£

\+

Copy figure from box A above £

equals

C £

Working Sheet - continued

Step 2 Net income

Total income from box 1M.15 £

minus

Total amount included in the figure in box 1M.7 for service benefits £ *equals* £

Total expenses payments and benefits from box 1M.22 £

+

minus

Total cash equivalent of the service benefits in box 1M.18 £ *equals* £

+

Back pay for 2000-2001 received after 5 April 2001 £

Sub-total *equals* £

Deduct

Expenses and capital allowances from box 1M.33 £

Contributions made by you to approved superannuation scheme or retirement annuity payments £

+

Back pay for earlier years received in 2000-2001 £ *equals* £

minus

equals

Net income **D** £

Step 3 Calculate 10% of the amount in box D

E £

minus

Copy amount from box B in Step 1

£

equals

Net income less amounts made good **F** £

Copy the amount from box C

G £

Step 4

If the figure in box G is greater than the the figure in box F, take F away from G and put the result in box H.

H £

continued over

Worked example

Working Sheet

Step 1 Payment of your manse bills (included in box 1M.7)

Electricity		£ 350
Gas		£ 580
Oil		£
Solid fuel		£
Other		£
Total personal manse bills	A	£ 930

Benefits (included in box 1M.18)

Heat, light and cleaning

	Cost to 'employer'		Amount made good by you		Cash equivalent
Electricity	£		£		£
Gas	£		£		£
Oil	£	*minus*	£	*equals*	£
Solid fuel	£		£		£
Other	£ 765		£		£ 765

Repairs, maintenance and decoration

Repairs and maintenance	£ 200	*minus*	£	*equals*	£ 200
Decoration	£		£		£

Furniture and effects

	Deemed 'cost'		Amount made good by you		Cash equivalent
Furnishings	£ 300	*minus*	£ 200	*equals*	£ 100
Other effects	£ 40 (TV)		£		£ 40

Totals

	Cost or 'deemed' cost		Amount made good by you		Cash equivalent
Total benefits	£ 1305	*minus*	B £ 200	*equals*	£ 1,105

\+

Copy figure from box A above		£ 930
	equals	
	C	£ 2,035

Worked example - continued

Working Sheet - continued

Step 2 Net income

Total income from box 1M.15	£ 14,000		
	minus		
Total amount included in the figure in box 1M.7 for service benefits	£ 930	***equals***	£ 13,070
Total expenses payments and benefits from box 1M.22	£ 2,300		+
	minus		
Total cash equivalent of the service benefits in box 1M.18	£ 1,105	***equals***	£ 1,195
			+
Back pay for 2000-2001 received after 5 April 2001			£ 500
Sub-total		***equals***	£ 14,765
Deduct			
Expenses and capital allowances from box 1M.33	£ 1,500		
	+		
Contributions made by you to approved superannuation scheme or retirement annuity payments	£ 500		
	+		***minus***
Back pay for earlier years received in 2000-2001	£ 300	***equals***	£ 2,300
			equals
	Net income		**D** £ 12,465

Step 3 Calculate 10% of the amount in box D

E £ 1,246

minus

Copy amount from box B in Step 1

£ 200

equals

Net income less amounts made good

F £ 1,046

Copy the amount from box C

G £ 2,035

Step 4

If the figure in box G is greater than the the figure in box F, take F away from G and put the result in box H.

H £ 989